

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Airports	(2) MEETING DATE 9/22/2015	(3) CONTACT/PHONE Kevin Bumen 781-5205	
(4) SUBJECT Request to approve a new 40 year lease agreement (Clerk's File) totaling \$36,576 annually in each of the first two years and increasing to \$50,000 in year three, with Aviation Consultants, Inc. (ACI) to redevelop the former American Eagle Maintenance Facility (Site "L") at the San Luis Obispo County Regional Airport and lease out excess space to other sub-lessees. District 3.			
(5) RECOMMENDED ACTION It is recommended that the Board approve and instruct the Chair to sign a new 40 year lease with Aviation Consultants, Inc. to redevelop lease Site "L", the former American Eagle Maintenance Facility, and lease out excess space to other sub-lessees.			
(6) FUNDING SOURCE(S) Lease revenue	(7) CURRENT YEAR FINANCIAL IMPACT \$36,576	(8) ANNUAL FINANCIAL IMPACT \$36,576 Revenue – Years 1-2 \$50,800 Minimum Rev. Annually thereafter	(9) BUDGETED? Yes
(10) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. ____) <input type="checkbox"/> Board Business (Time Est. ____)			
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input checked="" type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: N/A <input type="checkbox"/> 4/5 Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP Attached	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input checked="" type="checkbox"/> N/A Date: _____	
(17) ADMINISTRATIVE OFFICE REVIEW Geoff O'Quest, Administrative Analyst			
(18) SUPERVISOR DISTRICT(S) District 3			

County of San Luis Obispo



TO: Board of Supervisors

FROM: Airports / Kevin Bumen
781-5205

DATE: 9/22/2015

SUBJECT: Request to approve a new 40 year lease agreement (Clerk's File) totaling \$36,576 annually in each of the first two years and increasing to \$50,000 in year three, with Aviation Consultants, Inc. (ACI) to redevelop the former American Eagle Maintenance Facility (Site "L") at the San Luis Obispo County Regional Airport and lease out excess space to other sub-lessees. District 3.

RECOMMENDATION

It is recommended that the Board approve and instruct the Chair to sign a new 40 year lease with Aviation Consultants, Inc. to redevelop lease Site "L", the former American Eagle Maintenance Facility, and lease out excess space to other sub-lessees.

DISCUSSION

In 1984 the County entered into a long term ground lease at the San Luis Obispo County Regional Airport (SBP) with Wings West Airlines, which later became American Eagle Airlines, for Site "L" to operate a commercial aircraft maintenance facility. Improvements on the site include, but are not limited to, the commercial hangar, attached two floors of workshop space on the west side of the hangar, three floors of office space on the East or street side of the hangar, aircraft hush house (for engine testing), hazardous material storage sheds and paint booth..

As a result of the unprecedented run-up in oil prices in the fall of 2008, American Eagle retired the Saab regional aircraft and terminated air service at numerous US Airports, including SBP. With the retirement of the Saab, the maintenance facility at SBP was no longer needed and American Eagle requested an early lease termination. On April 7th, 2009, the County agreed to release American Eagle from its lease obligations and American Eagle agreed to release the County from its obligation to pay \$275,000 for the improvements, owned by the airline, pursuant to the original lease terms.

Over the next few years, Airports attempted to enhance its air service incentives package with the inclusion of the hangar/office complex. In early discussions there was interest on the part of airlines. However, ultimately it proved unsuccessful.

In the spring of 2014 the County issued a Request for Statements of Interest to redevelop the County owned facilities at Site "L" and enter into a long term lease. After review of the two Statements of Interest that were submitted, and subsequent to follow up meetings with the subject parties, the County elected to proceed with Aviation Consultants, Incorporated (ACI).

As part of the lease agreement ACI will commit a substantial capital investment of no less than \$2.5 Million to renovate the hangar and office spaces, replacing the building exterior and install upgrades which will include making the building compliant with Americans with Disabilities Act (ADA) requirements. Most importantly, a portion of the building that falls within Federal Aviation Administration (FAA) established safety areas surrounding the runway and taxiways will be removed. This includes the two floors of work shop, office, and storage space on the west/runway side of the hangar. With the removal of this portion of the building the airport will be one step closer to meeting regulatory compliance standards

and the removal of modifications to standards currently in place. ACI, with the completed renovations, will also be in the position to address the demand for much needed commercial aeronautical space through the subletting of hangar and office space to General Aviation businesses.

OTHER AGENCY INVOLVEMENT/IMPACT

County Counsel assisted in the negotiation process and reviewed the agreement for form and legal effect.

FINANCIAL CONSIDERATIONS

The Site L Facility has been vacant and non-profitable for the last six years. The condition of the building is poor and not rentable in its current condition. Airports has an opportunity to improve the site without making a capital investment or incurring additional debt. As part of the lease agreement, ACI will make a substantial capital investment of no less than \$2.5 million to renovate the hangar and office spaces, replace the building exterior and install upgrades, including making the building compliant with Americans with Disabilities Act (ADA) requirements.

Upon commencement of the lease agreement, Lessee will pay \$3,048/month (\$36,576 per year) for the first two years (730 calendar days) from the date of Board approval of agreement.

For the balance of the lease term, Lessee will pay, in monthly increments, an annual minimum base ground rent of \$50,800. The facility will be reappraised upon completion of renovations. Based on a formula in the agreement, rent for the facility could increase depending on the reappraised value. The minimum rent will remain at \$50,800 after year two, regardless of the appraised value, and will adjust annually based on the Consumer Price Index (CPI), not to exceed 5% per year. Beginning in the ninth year of the agreement, the facility will be re-appraised every five years and the base rent re-set based on fair market value. The rent will then be increased annually in non-appraisal years based on CPI.

The lease revenue has been budgeted in the FY 2015-16 Airport budget in the amount of \$36,576.

RESULTS

Approval of the new lease will allow for 1) the removal of modifications to Federal Aviation Administration (FAA) airfield standards, 2) productive reuse of a County owned facility with 100% of the capital investment being made by Lessee, and 3) provide for a long term agreement and stable source of revenue for the Airport Enterprise Fund contributing to the goal of a safe and livable community.

ATTACHMENTS

1. Attachment 1: Site L Vicinity Map
2. Attachment 2: Site L Lease Agreement – Clerk's File